



Creation or expansion of local option taxes of this sort, particularly at the tax rate level of up to .5%, may inhibit the ability of the state to raise revenue from the gross receipts tax, assuming there is a maximum tax rate the public will tolerate.

Since this local option tax is designed to be pledged toward special obligation bonds, and no legislative action may interfere with existing bonds, the legislature might find its options somewhat more limited when dealing with gross receipts tax issues in the future. Virtually every type of authorized local option gross receipts tax, as well as the 1.225% amount shared by the state with municipal governments, has been pledged toward bonds by one local government or another.

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